

ISSUE DATE: August 11, 1995

DOCKET NO. G-002/M-94-938

ORDER APPROVING ENTITLEMENT CHANGES AND REQUIRING ADDITIONAL
INFORMATION

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm
Tom Burton
Joel Jacobs
Marshall Johnson
Dee Knack

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a Request by Northern States
Power Company-Gas Utility for Approval to
Change its Demand Entitlements

ISSUE DATE: August 11, 1995

DOCKET NO. G-002/M-94-938

ORDER APPROVING ENTITLEMENT
CHANGES AND REQUIRING
ADDITIONAL INFORMATION

PROCEDURAL HISTORY

On October 10, 1994, Northern States Power Company - Gas Utility (NSP or the Company) filed a request to change its entitlements for the 1994-95 heating season.

On December 9, 1994, the Minnesota Department of Public Service (the Department) filed its comments on the Company's request.

On December 16, 1994, NSP filed reply comments and filed supplemental information on April 4, 1995.

On August 3, 1995, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

I. Introduction

This Order addresses several issues regarding NSP's gas demand entitlements and recovery of those costs through the purchased gas adjustment (PGA).

A. Demand Entitlements

1. The Company's Proposal

NSP proposed a net increase of 16,034 Mcf/day (approximately 2.86 percent) in its peak-day capacity. The Company indicated that its design-day capacity requirements have increased approximately 4.0 percent and its firm customer count has increased approximately 4.9 percent over the past year. The total cost of NSP's new demand and storage entitlements for the

Minnesota jurisdiction was approximately \$4.8 million.

NSP stated that the new costs and proposed changes in entitlement levels are due to the following eight areas:

1. NSP's Lakes Area Project (New Town Rate)
2. Additional System Growth
3. Additional Firm Entitlements on Great Lakes
4. Other Firm Entitlements¹
5. Entitlement Changes Due to the Use of Revised Estimates of the Amount of Fuel Needed to Provide Compression on Upstream Pipelines
6. Expansion of Certain Project²
7. Classification of Storage Capacity Reservation Fees From Commodity to Demand
8. Proportional Change in the Amount of Northern's TF12-Base and TF12 Variable 12-Month Firm Transportation Service

2. The Department's Comments

The Department recommended approval of all the Company's proposed changes with the exception of the reclassification of storage capacity reservation fees from commodity to demand. The Department stated that this issue (reclassification of storage capacity reservation fees) was addressed in an earlier docket.

¹ NSP indicated that the identity of the "other" area requiring additional firm entitlements is proprietary. There are several other parts of its filing that the Company asserted was subject to protection as proprietary information. See the Minnesota Government Data Practices Act, Minn. Stat. § 13.37 (1994). Proprietary information is fully revealed to and reviewed by the Commission and any party signing an agreement not to reveal the information to third parties and to use the information solely for purposes of the current docket. However, Orders such as this one that deal with filings containing proprietary information will refer to such information where relevant in general terms only, thereby honoring the Company's request for proprietary handling of the information.

² The project referred to is fully identified and described in the filing submitted to the Commission by the Company, page 3, and is discussed on pages 5-6 of the Department's December 9, 1994 proprietary comments and on pages 1 and 2 of Attachment 4 to those Comments. As indicated in Footnote 1, this full filing is also available to any party signing an agreement to treat as proprietary the information identified in the filing as proprietary. Without signing a protective agreement, anyone may view a "non-proprietary" version of the filing, i.e. one that omits the proprietary information.

The Department recommended that NSP be required to provide, in its 1995 Annual Automatic Adjustment Report, additional information on the usage experienced in connection with expansion of a certain project.³

3. Commission Analysis

The Commission finds NSP's increased level of entitlements is reasonable and in line with the levels approved in previous years. The Commission will approve them.

Regarding the Department's recommendation that the Company provide additional information regarding a certain expanded project, the Commission finds that recommendation appropriate and will require the Company to provide this information in its next (1995) Annual Automatic Adjustment Report. The Department will be continuing its review of all the local distributing companies' (LDCs') use of storage service and will make reports as necessary when it submits its review of the companies' 1995 Annual Automatic Adjustment Reports. If the Department finds that there is a problem with the project, such as that the contract is uneconomic or does not benefit firm customers, the Commission expects that the Department will make an appropriate recommendation at that time.

B. Allocation Factor

1. The Company's Proposal

NSP-Gas Minnesota Company provides gas service in two jurisdictions, Minnesota and North Dakota. The factor used to allocate demand costs between Minnesota and North Dakota is based on the proportion of design-day capacity needed in each jurisdiction. NSP proposed to lower the factor used to allocate demand costs between Minnesota and North Dakota from 90.35 percent to 90.28 percent.

2. The Department's Comments

The Department recommended that the Commission approve the lower allocation factor. The Department noted that the lower allocation factor would lower the Company's jurisdictional design-day allocation by 457 Mcf/day of firm entitlements, approximately .08 percent of the Company's total design-day capacity requirements.

3. Commission Analysis

NSP's proposed adjustment is consistent with the way the Company has allocated demand costs in the past. The Commission finds that the proposed factor is reasonable and will approve it. The new factor lowers the amount of demand costs assigned to the Minnesota jurisdiction.

C. New Town Sales Volumes

³ This is the same project referred to in Footnote 2.

1. The Department's Proposal

The Department argued that NSP's PGA demand volumes should be calculated by adding the forecasted Lakes Area sales volumes approved in Docket No. G-002/M-94-156 to the test-year sales volumes from NSP's last rate case (Docket No. G-002-GR-92-1186). The Department acknowledged that Minn. Rules, Part 7825.2700, subpt. 5 provides that for three years after the end of a utility's most recent rate case test year, the PGA must be computed using the test year demand volumes. The Department asserted, however, that including the amount of sales forecasted for the Lakes Area would provide a better match between forecasted and actual demand volumes and between forecasted demand costs and actual demand costs. The Department argued that all the conditions necessary for granting a variance from Minn. Rules, Part 7825.2700, subpt. 5 in this regard were met.

2. NSP's Reply Comments

NSP did not oppose the Department's recommendation, but requested permission to implement the change on a prospective basis after the Commission issues its Orders in this docket. The Company proposed to adjust for any over- or under-collection of demand costs in its 1995 True-up.

3. Commission Analysis

The Commission agrees with the Department that including the Lakes Area sales volumes will provide a better match between forecasted and actual volumes and between forecasted demand costs and actual demand costs. In addition, the conditions for granting a variance from the requirements of Minn. Rules, Part 7825.2700, subpt. 5 (which would prevent including those sales volumes in the calculation of the PGA) have been met. The variance analysis pursuant to Minn. Rules, Part 7829.3200 is as follows:

Excessive Burden: enforcement would likely result in the over-collection of demand costs and increase the size of the true-up that would need to be refunded. These burdens on NSP and its ratepayers would produce no corresponding benefit and would, therefore, be excessive.

Public Interest: using a higher level of demand volumes would reduce the possibility of NSP's regular customers subsidizing the new area customers. The higher level of demand volumes would provide a closer match between costs imposed on NSP's distribution system and the costs that are recovered from customers. In authorizing new town rates, the Commission found that it was in the public interest for ratepayers in the new areas to bear the higher-than-average costs of providing utility service in those areas, not the general ratepayers. Granting the variance would further the public interest in that respect.

Existing Law: granting the variance is prohibited by no federal law or state statute.

Therefore, the Commission will grant NSP a variance to Minn. Rules, Part 7825.2700, subpt. 5 and direct it to use the Lakes Area volumes to increase the demand volumes used to calculate the PGA demand charge. To clarify, this variance is granted on a prospective basis. NSP will be directed to implement the change on a prospective basis and to adjust for the remaining under- and over-recoveries from July 1, 1994 forward, in the 1995 True-up.

D. Cumulative Impact of NSP's Proposal, as Modified

1. The Department's Calculations

The Department calculated the total impact of NSP's proposal, as modified by changes proposed by the Department, on NSP's various customer classes. In making these calculations, the Department adjusted for 1) addition of the Lakes Area sales forecast in with the test-year demand volumes, 2) reclassification of the FDD reservation fees as demand charges, and 3) certain commodity credits.⁴

2. NSP's Response

NSP did not dispute the Department's calculations.

3. Commission Analysis

The Commission finds that the Department's calculations accurately reflect the modifications to NSP's proposal that have been approved in this Order. Therefore, the Commission will approve them.

II. COMMISSION ACTION

Based on the foregoing review of the issues involved in this filing, the Commission will approve the Company's PGA cost recovery proposal, as modified (pursuant to the Department's recommendations) in this Order.

⁴ For details of the commodity credits referred to, see proprietary version of the Department's December 9, 1994 Comments at page 8.

The impact of what is approved in this Order is shown as follows:

Customer Class	Change in the Commodity Cost of Gas		Change in the Demand Cost of Gas		Change in Total Cost (including non-Gas costs)		Total \$ change per year per customer
	(\$/Mcf)	(Percent)	(\$/Mcf)	(percent)	(\$/Mcf)	(percent)	
Residential	-\$0.0238	-1.71%	\$0.0425	3.62%	\$0.0187	.47%	\$2.32
Commercial	-\$0.0238	-1.71%	\$0.0425	3.62%	\$0.0187	.51%	\$13.65
Industrial	-\$0.0238	-1.71%	\$0.0425	3.62%	\$0.0187	.51%	\$66.01
S.V. Int.	-\$0.0238	-1.71%	-\$0.00	0.00%	-\$0.0238	-1.10%	\$180.19
L.V. Int.	-\$0.0238	-1.71%	-\$0.00	0.005	-\$0.0238	-1.40%	\$1461.94

ORDER

1. Northern States Power Company - Gas Utility's (NSP's or the Company's) request for a change in its transportation and storage entitlements is approved.
2. In its next Annual Automatic Adjustment Report due September 1, 1995, NSP shall include a report regarding the expanded project referred to in the text of this Order on pages 2 and 3 and specifically described in Footnote 2.
3. NSP's proposed 90.28 percent demand cost allocation factor for the Minnesota jurisdiction is approved.
4. NSP is granted a variance to Minn. Rules, Part 7825.2700, subp. 5, thereby directing the Company to increase the demand volumes used to calculate the PGA demand charge. The Company is authorized to implement the change on a prospective basis and to adjust for the remaining under- and over-recoveries (from July 1, 1994 forward) in the 1995 True-up.
5. NSP's PGA cost recovery proposal, as modified in this Order, is approved.
6. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)